





**SPEECH**  
**OF**  
**JAMES CLARKE, ESQ.**  
**OF INDIANA,**  
**DELIVERED IN THE**  
**CONVENTION.**

**To Amend the Constitution of Pennsylvania,**

**ON THE FIRST OF DECEMBER, 1837.**

**IN SUPPORT OF AN AMENDMENT TO PROHIBIT BANKS FROM ISSUING NOTES  
OF A LESS DENOMINATION THAN TEN DOLLARS, FOR THE PRESENT, AND  
LESS THAN TWENTY DOLLARS FROM AND AFTER THE YEAR 1842.**

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## TO THE READER.

The publisher of the *National Laborer*, would recommend to the reader, in conjunction with the remarks of Mr. Clark, a consideration of the facts elicited by the remarks of Mr. Scott, concerning the stoppage of the banks in May last.

From the report of the proceedings of the Reform Convention, published in one of the daily papers we extract as follows:

"Mr. Scott then, in Committee of the Whole resumed his speech. He said that at the time of the stoppage of specie payments there were drafts on board the steamboat from New York on the Banks in this city to the amount of half a million of dollars. He intimated that the captain of the steamboat in the Delaware suspected that these drafts were on board the boat, and delayed the passage so that the boat did not arrive until after 3 o'clock. That evening the Banks, at the request of a number of citizens, agreed to suspend, and thus the specie was prevented from going to New York—He thought this a wise measure. The Banks judged of what was for the welfare of the community at large, and acted accordingly. The specie would all have gone off, if they had not stopped."—

Here is something on which the people may ponder. Here is an admission on the part of a leading advocate of the banks, that their bankruptcy was the result of a conspiracy. If they had not previously determined to stop payment the "captain of the steamboat" could not have known that they would stop, and, of course, would not, by "delaying his passage," have enabled them to defraud their creditors by the non-payment of the drafts.

In what respect is the conduct of the banks better than swindling? Can any man believe that the captain had no interest in the transaction? Would he risk so much without expectation of reward? Or can any man think that Mr.

Scott and others are entirely disinterested in their apologies?

Let us suppose a similar case, in which the parties are neither bankers nor men of wealth and worldly consequence. Suppose an obscure individual, A, were to intrust to another individual, B, a sum of money, redeemable at a certain period; and that, as the time for giving up his trust approached, B should determine to elope with A's money, but from some accident, could not accomplish his design unless by some means A should be compelled to postpone his demand; and that a third individual, C, an accomplice of B, should seize and forcibly detain A until B had made his escape.

What ought to be our opinion of B and C? Ought we to convict them of breach of trust and swindling, or ought we to look upon their conduct as "a fair business transaction?" The parties being obscure vulgar men, perhaps mere mechanics, we would, one and all, demand their legal punishment. We will now suppose them on trial, and all the facts established; and that a fourth individual, a lawyer, Mr. Scott, wanting the honesty to condemn their conduct and the modesty to blush for his own, should justify the breach of trust, and apologise the swindling; telling us "he thought it a wise measure." Now, what, on this supposition, ought to be our opinion of Mr. Scott? Let the people reflect on this.

Philadelphia, Dec. 1837.

# SPEECH

OF

JAMES CLARKE, ESQ.

ON THE ISSUE OF BANK NOTES.

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Remarks of JAMES CLARKE, Esq., of Indiana, delivered in the Convention, to amend the Constitution of Pennsylvania, on Dec. 1, 1837, in support of an amendment to prohibit banks from issuing notes of a less denomination than ten dollars, for the present, and less than twenty dollars from and after the year 1842.

Mr. Clarke of Indiana said he had desired to be excused from discussing this question at present, as he was unwell and not prepared to do it ample justice. He had hoped that some gentleman more competent to the task, would have taken the floor; but inasmuch as the question was about to be taken, he yielded to an imperative sense of duty to deliver his sentiments on the subject. He knew not how soon free discussion might be arrested by a call for the previous question. Gentlemen of the conservative party had lately become very familiar with the previous question, and had arrested debate on some very important questions. (said Mr. C.) by putting the screws to us; and the previous question might be again sprung upon the Convention before they were aware of it. He deprecated such a use being made of that

rule of the house. The party to which he belonged had never called the previous question before the subject was fully discussed. Fair, open and honorable debate ought to be allowed, and fair reports should be made of what gentlemen say, but he was sorry to observe that some of the *pe-my-a-liners* who write for the Conservative presses in this city had attacked, misrepresented, and annihilated his friend from Susquehanna, (Mr. Read,) and they might, perhaps, attack and annihilate all who were opposed to the banks. I suppose, (said Mr. C.) that before we leave Philadelphia these scribblers will not leave of us a single vestige more than was left of the Kilkenny cats after their fight.

He was surprised to see the President and other gentlemen of the Convention exhibit such warmth of feeling on the bank question. He could only account for it on the principles of the old proverb that "the truth bites sore." In some observations which he had made at Harrisburg respecting the manner in

which the United States Bank of Pennsylvania obtained its charter, he had said that the act was passed with indecent haste. To this expression the President of the Convention had taken exception, and had taken him to task for speaking so disrespectfully of the Legislature and of the Institution. He had hoped that the worthy President had said all he wished to say on that subject, but to his surprise, he found the President in his remarks of yesterday, harping on the same string. That expression, indecent haste, seemed to be an indigestible one, and stuck in the President's stomach. He had used the expression because he did not think of a milder one, and although he had been sorely belabored on this account, yet he was prepared to say, and would now say, that the passage of the act chartering the United States Bank of Pennsylvania, was the most outrageous and high handed act of tyranny and aristocracy which he had ever witnessed. He knew the risk he ran in speaking against that bank, or any other bank, in this place. But being a free representative of a free people, from a mountain district, he was not afraid to 'beard the lion in his den' and say those things of banks and bankers which he thought they merited, even in this city of brotherly bankers.

The subject (said Mr. C.) is of immense importance not only to ourselves but to posterity, not only to our own State, but to the Union and the world. He acknowledged his inability to do the subject full justice, as he was no lawyer, nor was he a public speaker; but he had the honor to represent four counties which, he was happy to say, contained no bank; nor was there a bank in any adjacent county to the South, West, or North of the district he represented: he could therefore speak his sentiments with entire freedom, and he hoped with impartiality.

The party with whom he had the honor of acting were accustomed to have their motives and principles misrepresented. They were called jacobins,

levellers, agrarians, 'locofocos' and other such names. He knew that they were accused of agrarianism, desiring to equalize property, &c., but he denied that any such thing was desired by any of them. They were not so radical as that. They only went so far as the Declaration of Independence, which declares all men to be born free and equal. He did not say that all men were equal in intellect or industry, but that they ought to be so politically: they are equal in their inalienable rights, and he wished to protect the people in the enjoyment of these rights.

The question before the Committee was whether the banks should be restrained from issuing small notes. It was proposed by the amendment before the Committee to prohibit them from issuing notes under ten dollars, for the present, and under twenty dollars after the year 1842. It must be conceded by all honest men that abuses had grown up under the present banking system, and that some restriction was necessary. He was very sorry to hear his friend from Chester (Mr. Bell) declares that he could not vote for this amendment because it was insufficient to cure all the evils appertaining to the present system of banking. It was not proposed as a remedy for *all* the evils of banking. The amendment that had been proposed the other day to make stock-holders liable in their individual capacity for the debts of the Company was offered as one correction, in part, of the evils we suffer, and this amendment was offered as an additional safe-guard. He was sorry that the Convention had thought proper to negative the first of these; and the declaration of the gentleman from Chester made him apprehensive that this might share the same fate. These amendments were intended only as the pannels of a fence, which, when followed up, might make a complete enclosure, so as to hedge in the lawless manufacturers of rag money. Our President has deprecated the throwing of the fire-brand of party among us.

He (Mr. C.) had observed that the conservatives had been rallied by the gentleman from Beaver, and he regretted that party spirit had, apparently, blinded the "whigs" and Antimasons to all the evils of the banking system; but it was vain to reason with men whose political system is based on avarice: "for the love of money is the root of all evil." Avarice, Mr. Chairman, is the most incurable vice of the human heart. Avarice is the vice of old age. We have seen, and heard, and read of many instances of prodigals being reformed, but it is a remarkable fact that there is no account in sacred or profane history of a miser having ever repented. Men, (said Mr. C.) were originally created equal in rights and privileges, but that equality had been destroyed in all countries and in all ages, by force or fraud. Savages and barbarians used force in despoiling others of their property; while fraud was resorted to in civilized communities. The simple, the honest, the unsuspecting have been defrauded of their earnings, and of their rights, by kings and nobles, demagogues, quack doctors, pettifoggers and speculators of all grades and conditions. The gentleman from Philadelphia, on his right, (Mr. Biddle,) deprecated this constant changing; but, sir, this cry against change, is and has been in all ages and all countries the war-cry of those who are for perpetuating abuses. But in the march of civilization and the progressive improvement of mankind in government, changes become necessary to secure to the productive classes their inherent rights, and to restore to them those of which they had been divested by force or fraud. He therefore gloried in standing there as the feeble advocate of such a change in our present pernicious banking system as will have a tendency to restore their lost rights to the productive classes of society.

It may be necessary, Mr. Chairman, to make a few observations respecting corporations for money making purposes. In a free country such corpora-

tions are radically wrong. They are against the genius and spirit of our free institutions. They are unequal, unjust, and fraudulent: unequal because they make distinctions among the citizens who ought all to possess the same opportunity of advancing their interests; unjust, because they give advantages to a favored few that are denied to all others; fraudulent, because they take the power from the many and give it to the few. Should a few designing men ask the legislature for a donation in money without equivalent, it would be immediately refused, as all would see that any sum taken from the treasury would be drawn from the pockets of the people; but the same men ask for a charter of incorporation under some plausible pretext of public good by which they can realise the same amount. If the charter be granted, it is equally true, though it may not be so readily perceived, that the people, the whole people are divested of their rights to the extent of the favor or privilege included in the grant. Such charters are therefore fraudulent and unjust. Another objection to corporations for money making purposes, is, that they are monopolies, such as the corrupt monarchs of the old world have been in the habit of bestowing on their favorites. Our coal companies, companies for making coke, and for other business objects are of this kind. They are also objectionable because they are perpetuities, and as such they render nugatory our wholesome laws for the distribution of estates, and those forbidding entails, as through them property was handed down from one generation to another. They are an aristocracy that will naturally and necessarily create and perpetuate abuses. It is true the stockholders may die, or be changed, but the corporation still lives; and whoever has the management of such corporation will use all the power transmitted to them or within their reach;—for man is seldom known to relinquish power, and is generally indisposed to inquire

into the justice of its origin. Ay sir— (said Mr. C.) such corporations are aristocracies of the worst kind. If we must have an aristocracy he preferred one of noble blood—even though their

“Ancient but ignoble blood  
“Had crept through scoundrels ever since  
the flood.”

Or a nobility, whose warlike ancestors carved out their titles with their swords. He wished to shun all aristocracies, but, above all, the cent per cent Shylock aristocracy, which would always take the pound of flesh if they could get it.

Another objection he had to such corporations was their tendency to multiply drones in society. Mr. Chairman, (said he,) if you have ever kept bees, you must have observed, that young hives have no drones, but old hives, which have many drones, cease to be productive of much good; for, judging from the size of the drones, it is probable they consume twice as much honey as the same number of working bees. If a hundred men be associated together, and all divide the labor equally among them, a moderate quantity of labor would sustain them, but if twenty of the hundred contrive to live by their wits, and consume or destroy twice as much as the same number of laborers it must be evident that the remaining eighty producers must labor one-third more than if all were to do their proportion. This with me, sir, is an insuperable objection against all corporations for money making purposes. It is a fallacy to say that corporations create wealth. Labor, and labor alone, is the source of all wealth. It is a misstatement of terms to say that corporations give the laborer employment. Labor, which produces all, gives to corporations their profits. Labor provides our food, procures us clothing, builds our houses, and gives to us all the comforts and benefits which we receive from man. Industry not only creates the wealth and adds to the happiness of society, but it also conduces to health and good morals.

Corporations (said Mr. C.) are of several kinds :—1st, those for civil purposes, such as incorporating cities and boroughs. Against this kind there can be no objections: they are necessary for the civil polity of the government. 2d. those for religious, charitable, and literary purposes; these are also necessary, in order to hold and manage funds for the specific objects of the Institutions. 3d. incorporations, for public improvements; such as Turnpikes, Bridges, Rail Roads and Canals,—justifiable, when the objects are beyond the reach of individual enterprise, and because they are part of the highways that government is bound to provide for its citizens. The corporations he had mentioned were a convenient distribution of the minor powers of government to which no well founded objection could perhaps be made, except that the officers of such corporations sometimes use their “little brief authority” in a manner vexatious to the citizens. Sir, (said Mr. C.) corporations for money making purposes are detestable. Their tendency is to create dependents; and thus make slaves of the laborers, and tyrants of the managers of such corporations. They serve to extinguish the spirit of freemen, and render all who are in their power subservient to their will. Is this doubted? Let those acquainted with our Iron works answer. He knew that many of our Iron-masters were among the most worthy citizens of the state; he had, however, sometimes witnessed, and often heard of the hands employed at Iron works having been taken by the manager to the polls, and there used as mere automata to put in their votes. He wished to see the bounds of freedom enlarged, so that every man could feel that he was a freeman. He asked if it was denied that the hard fisted labourer was thrown out of employment in order to make him vote as the bankers wished him. Much has been said about English wealth and the splendor of English manufactures, but look, sir, at the operatives under the



English factory system, who are ever on the verge of pauperism. Such systems cannot produce freemen. They may produce and concentrate wealth; but wealth acquired in that way has been there, and will be here, often used for corrupt purposes. But a yet more iniquitous feature in such corporations was a legal exemption of the stockholders from liability for the debts of the company. Such exemption violates a fundamental principle of our nature: for profit and responsibility were the original condition of our being. It is said in Divine Writ, "In the sweat of thy face shalt thou eat bread." Bread is the profit, and sweat the responsibility. It is wrong, therefore, for legislators to attempt to separate them. This exemption, sir, is a bull of indulgence to authorise lying and the commission of fraud with impunity. It is a passport to enable men of sinister designs to prey upon the fruits of labor,—to make the rich richer, and the poor poorer. It is a legal cloak to cover the speculator from the consequences of his own imprudence. Cloaks, sir, have been worn for many purposes:—

"And for a mantle large and broad

"He wrapt him in religion."

This corporate exemption is a mantle to cover political deceivers. We have, Mr. Chairman, companies incorporated for all purposes; for digging coal; for making coke; for building a tavern, here in this city; and even a blacksmith shop, in Chambersburg obtained the honor of an act of incorporation; and if they are permitted to proceed without restriction, they will in time monopolize all the profitable business of society. Yes sir, they are our masters already—they judge our judges; they govern our governors; and through their borders they dictate law to our legislature. Nothing on earth can save the productive classes from becoming mere hewers of wood and drawers of water to the monopolists but the awakened energies of a free people. But, sir, these corporate bodies sometimes fail, and when they fail, I ask you

who suffers! Let me mention one or two examples. Some twenty years ago before the turnpike roads were completed over the mountains, when mushroom banks sprung up like Jonah's gourd in a night, the laborious wagoner toiled through the mud and delivered goods in Pittsburg for seven dollars a hundred, receiving his reward in rags that would not pay his toll fifty miles east of Pittsburg. At that time a few merchants took it into their heads that the wagoners were charging too much for hauling: they therefore formed a transportation company, and obtained from the legislature an act of incorporation. This company, sir, for some time went on swimmingly. They injured the honest wagoners for the time being, but at the end of eight or nine months failed, leaving their creditors to suffer a loss, (as I have been informed) of about a hundred thousand dollars.

Some fifteen years since a few farmers in Chester County, without advertising to the law of demand and supply, took it into their heads that the brewers of this city did not give them enough for their barley: they, therefore, established a brewery of their own, and obtained from the legislature an act of incorporation. A few years were sufficient to wind up this concern, also, but, it is believed, without much loss to the public. A similar catastrophe happened to a company of farmers in Westmoreland county, who established a joint stock store. These last, however, were unincorporated, and were therefore liable for what debts they might contract. These cases have been mentioned to show the impropriety of granting acts of incorporation for any thing within the reach of individual enterprise.

I am now going (said Mr. C.) to take a nearer view of the question, and to examine the subject of Banks and Banking. Banking, sir, modern banking, I hold to be a device of Satan. It contains within it all the evils inherent in other corporations for money making

purposes, and also the gambling and swindling principles of lotteries. These may be harsh terms, but is it not notorious that modern banking promotes gambling in stocks; in goods; in western wild lands; in town lots; and in cities on paper, to the detriment of lawful industry? Banking also swindles society by producing fluctuations in the value of the currency, and the refusal of the banks, last May, to pay their debts, has the character of swindling. Bankers could increase or diminish the currency at pleasure: was it too much to believe that they did so to promote their own interests? There were two things for directors to consider.—1. To make money for the stockholders. 2. To make it for themselves. The last was evidently the greater object, and would be first attended to. Modern Banking, sir, is not exactly the philosopher's stone, but it enables the bankers to transmute the sweat of labor into oil and wine, and milk, and honey, for their own benefit. Our president has asked what the banks gained by this suspension? I answer they have gained what all dishonest or insolvent men desire, they have gained time. But, sir, they appear to have gained more than time, for I observe that since the suspension they have been making large dividends of 4 to 6 per cent on their nominal capital for the last six months. Now, sir, if any other than a banker should loan his money at more than 6 per cent per annum he would be punished under your laws for usury; but your bankers, sir, are allowed to divide 8, 10, and 12 per cent, and that too at the time they refuse to pay their debts in the constitutional currency of the country. Our president says the community would have been ruined if the banks had not suspended. What community, pray? Not the farmer, nor the mechanic, nor the laborer; no sir, none of these: for in the part of the state where I reside panics and pressures have been known only through the medium of newspapers. The "community," I take to be a few merchants in our cities who have overtraded. This community, sir, reminds me of the observation that "Boston is Massachusetts, and Massachusetts is the United States." But how was the community to be ruined? Why, a gentleman from the city, on my right, (Mr. Biddle) says, if the banks of Pennsylvania had not stopped payment, they would have been stripped of their specie; and permit me to ask of what use has that specie been to the public since the 10th of May? Stripped of specie, indeed! As well might the specie, for all the benefit the public have received, have remained in the mines. The wholesome maxims of private life can never be violated with impunity. If it be morally wrong for an individual to refuse to pay his debts, while he has specie in his possession, it is also wrong for incorporated bankers to refuse to pay theirs. It may be objected that by paying it out, the specie would have left the country. This I deny. Had it not been for the "Shinplasters," first issued by this city and followed by this city's imitators throughout the country, necessity would have kept the specie in the country and in circulation. I can here give you the example of the village in which I reside, and the neighboring country. The citizens of Blairsville determined at a public meeting, early in the season, that they would neither issue "Shinplasters" nor give them currency. What, then, was the consequence? Why, that we always had specie change, a little scarce at first while the panic lasted, but, latterly, nearly enough for all the purposes of life. It is demonstrated that the specie could not have left the country, because the value of specie, as of every thing else, increases with its scarcity, and when the scarcity enhances the value to the point of exchange it must cease to flow out of the country. The banks ought to have paid as long as they were able, and then we should have had plenty of specie in circulation. I object, sir, to banking because it en-

courages the violation of the moral law. One injunction of the Apostle Paul is "Owe no man any thing." But banking, in opposition to that precept, encourages the contraction of debts. A direction of the wise man, is, "Be thou not one of them that strike hands or of them that are sureties for debts," but it is a principle in banking to require surety. How many thousands have been ruined by indorsing notes for discount in bank! Even our modern novelists and dramatists when they wish a hero reduced from wealth to poverty usually represent him as bailing a friend.—And why, sir, are so many ruined by bailing? Because, sir, it is a moral evil: a special curse seems to follow the transaction. Another objection (said Mr. C.) which I have to the system is that your bankers are wholly irresponsible; the individual stockholders cannot be sued for the debts of the concern, and what individual, let me ask, can contend with the bank itself? Those who are near to it are deterred by the dread of its influence, and those who are far off cannot leave their homes to prosecute it for its broken "promises to pay." Banks, sir, are lawless. Witness their defiance of law since last spring. And, strange to say, they have found supporters and defenders in that party who are great sticklers for the "supremacy of the laws and the constitution,"—that party who shed oceans of crocodile tears over the fate of the poor Indians,—and many of whom with equal sincerity wail over the manacles of the negroes,—a party who are horrified at all appearance of Lynch law, but who can look on with complacency, and even defend the lawlessness of the banks. I am, sir, against all violation of law, whether by Judge Lynch or by the gentlemen bankers. Our president has deprecated in strong terms the remark of the gentleman from Susquehanna, (Mr. Read) in calling the bankers conspirators, and said that the banks were con-

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ducted by honorable men. Honorable men! What, Mr. Chairman, is the standard of honor? I have heard of the honor of duellists, and the honor of gamblers, and I have even heard of honor among thieves; and Sir John Falstaff has given us his definition of honor:—yet I am at a loss to know that standard of honor by which bankers regulate their conduct in refusing to pay their debts. It has been said that "shame is as a man takes it;" the same perhaps may be said of men's notions of honor. But, said the president, they cannot have been guilty of conspiracy because they are honorable men. In Mark Anthony's well known harangue it is said that those who slew Cesar were "all honorable men" and yet those honorable men were *conspirators*. The Bankers were said to be honorable men. I, sir, judge of men's honour by their actions. I cannot call it honorable for men to league together to shun payment of their just debts. Our president professes to disbelieve the statement of the gentleman from Susquehanna (Mr. Read) respecting the Susquehanna Bank violating the law of its creation in depositing its first instalment in a broken bank: and why does he doubt it? Because a dear bank has been detected in the very act of violating the law; and, he, as a lawyer, knew that the best point in the law, under such circumstances, was, to deny the fact. But as they are both lawyers I will leave that matter between them. Let us now inquire what are alleged to be the benefits arising from banks. I suppose the friends of banks will say banks lend money, and also keep the money of others safe on deposit; and, also, that they facilitate exchanges between one district and another. They are, I believe, also held to be useful as reservoirs of credit. These, sir, are the principal uses claimed for banks. Let us examine these things, a little, in detail; and first,—I

suppose it will be admitted that none should lend money, but those who have money to lend; and if so, I know no reason why a man may not lend his money, or authorise an agent to do so for him. In those districts of the country where there are no banks there are men who have money to lend, who increase in number as the country increases in wealth. Such men lend their money to worthy and deserving men at 6 per cent per annum, at long terms, often for one, two, or more years. Any honest, worthy man who is in need of money can procure it from such men, without being subjected to expense and loss of time in presenting a note at bank every 60 days, and paying interest beforehand. It is beneficial to society, and good neighborhood that the lender and borrower be brought face to face. Being both accommodated, the one in obtaining use of the money, and the other in obtaining interest, they acquire a mutual friendship. Active men in the prime of life require money, while men advanced in life, prefer withdrawing their capital from business, and loaning it for the interest. I am clearly of opinion that if the business of borrowing and lending were free from the interference of banking, interest would settle down below 6 per cent per annum, because investment in lands in the country, does not ordinarily yield more than 3 per cent. I have understood that in the neighboring counties of Bucks, Berks and some others, money for some years back was worth but 5 per cent. I therefore conclude that banking is unnecessary so far as the mere lending of money is concerned.

The second alleged benefit of banks, is, keeping deposits. Now, sir, I believe that most men can keep all the money they handle. If, however, in cities and large towns it is inconvenient or insecure for merchants and others to retain money in their own possession it would be easy for them jointly to employ persons for a small compensation

to keep it for them. If, however, banks of deposit are necessary, they should be on the principle of the old bank of Amsterdam, the amount of specie deposited being equal to the paper issued. The third use claimed for banks is to facilitate exchanges. What is the nature of exchanges? Is it not the exchange of the product of labor in one district for the product of labor in another district? Exchanges are therefore mercantile transactions, and by the laws of trade, must maintain nearly a common level. It is only when one district of country purchases more than it can pay for that the rate of exchange will be against it; and, here sir, banks utterly fail, as pretty pictures on silk paper will not ultimately pay the debt, however they may postpone the day of payment. There is one apparent exception to this rule, and that is, the rate of exchange will always be against the country that produces the precious metals. The precious metals increase in value, from the mines of Mexico and South America until they are worked into plate and worn out in Asia: therefore there will be a small exchange against Mexico and in favor of New Orleans; against New Orleans in favor of New York; and against New York in favor of London. This is like the fall in a stream; and is equal to the cost and risk of transmitting the bullion from its place of production to where it is required. The transmission is a commercial transaction and ought to be left to the merchant to regulate in his own way, just as our own foreign exchanges are now done, unconnected with any interference of government, or any chartered privilege.

I now, sir, come to the last thing I shall notice on this branch of the subject, that of the alleged use of banks as reservoirs of credit. I know, sir, that credit is necessary in a civilized and free country; but, sir, a wholesome credit is that confidence which man puts in his fellow man from his known integrity and ability to fulfil engage-

ments. A wholesome credit is therefore personal, and should be left free from legal restraint, nor should it be stimulated by legal combinations. But the credit of banks is false. They issue what purports to be money, but is not money. They call a thing valuable which is wholly valueless. They issue pretty pictures on silk paper promising to pay money which it is notorious they cannot pay, as is evident from their conduct the last half year; and for these false promises fools pay them interest, which interest is extracted from the labor of an unsuspecting community. These reservoirs of credit are often pernicious to young men, to the thoughtless, the inexperienced, and the sanguine. A facility of obtaining loans, leads to improvident extravagance and want of prudence, and causes men to despise the slow accumulations of honest labor. It induces them to anticipate the earnings of the future, and leads to excess which often ends in ruin. But the greatest objection I have to these reservoirs of credit, arises from their tendency to expansions and contractions: They expand the currency at times until the necessities of life rise beyond the reach of the poor; and when they contract, the poor are thrown out of employment. The laborer, Mr. Chairman, is the last to receive benefit from a rise of prices, but the first to suffer the evils of a diminished currency. The expansions of bank credit lead to gambling speculation. The managers of banks have only to make money scarce and purchase property when prices are low, and, again, to expand and make money plenty, and then sell at the advanced prices; and in this way our banded brotherhood of bankers may in time monopolize not only the property, but the profitable business of the country. Here let me call your attention to one other evil of the paper system. I mean the facility with which it is counterfeited. Why, sir, are counterfeiting and forgery such common

crimes? Is it not because the inducements to these crimes spring from the banking system? But, Mr. Chairman, I wish to take another view of the evils of this system: the pernicious effect it has on agriculture, manufacturing and mining. However the farmer may be flattered for a time with the name of high prices for his produce, it is demonstrable that the fictitious price created by a redundant currency, is injurious to the country, and must ultimately react upon that most useful class of our citizens. It will probably be admitted by all that we should not only raise all our bread stuffs in this country, but, also, produce a surplus for exportation. Why, then, have we been for the last two years importing provisions from Europe? Is it not because the *nominal* wages of labor was so high, owing to the quantity of paper money afloat that too large a proportion of society has been withdrawn from agriculture? The farmer found himself unable to hire labor at a price that would enable him to compete with foreign grain in our own markets, much less to send our grain to foreign markets: because instead of our own productions going abroad to bring money home, our money must be sent abroad to purchase provisions. The paper system is equally injurious to the manufacturing and mining interests, by putting a fictitious price on those articles which sustain miners and manufacturers. To illustrate, I will suppose that under a particular state of things American Iron can be manufactured for \$100 per ton, and that foreign Iron of as good quality may be delivered for \$80 per ton. If Congress impose a duty of 25 per cent on foreign iron it will be evident that the importer cannot afford to under-sell our manufacturer; but if, at the same time, the banks increase their issues 25 or 50 per cent, it will increase the price of labor, of provisions, and all other expences of the iron master in nearly the same proportion. Hence, under this state of things Ameri-

can iron cannot be manufactured under \$125 or \$130 per ton, thus giving the foreigner an advantage in our market, even after paying the duties imposed for protecting American labor. It is, therefore, obvious that the increase of the paper currency counteracts the effect of the tariff for benefitting our own manufactures. The same reasonings apply to mining. Why is coal brought from Halifax and Liverpool when the mountains of Pennsylvania contain enough to supply the world? A sound currency, free trade, and moderate protection are all we require to cause our mining, manufacturing and agricultural interests to flourish despite of foreign competition.

One of the most obvious evils, Mr. Chairman, of this pernicious banking system, is the constant tendency to create a redundant currency, and thus to lead men from sober habits of industry into wild schemes of speculation, landing them, after a career of extravagance, in insolvency. That the present banking system is productive of a long train of evils, is undeniable;—evils, in my opinion outweighing all the advantages claimed for it by its friends. It becomes a serious enquiry, whether they are evils that admit of cure, and if so what remedy is likely to be effectual? Many restrictions have been proposed, deemed more or less efficacious; but the most effectual would be a liability of the stockholders for the debts of the concern, a limitation of the issues, and a limitation of the dividends. I am sorry that the first proposition of the gentleman from Susquehanna, (Mr. Read) to make stockholders of banks liable for the debts, was voted down, by a majority of this committee. Had that proposition prevailed, it would have secured the caution and prudence of individual responsibility necessary for the economical prosecution of every business in life. The best guarantee for prudence is a liability to the penalty of loss following mismanagement. Another remedy thought ef-

fectual by many, is a limitation of the dividends or profits in banking. If the bankers are not allowed to divide more per cent. on their capital, than honest men are permitted to lend their money for; say six per cent per annum, (or say 7 per cent. to cover contingencies) then inducements to over issues would be taken away; for they would not be likely to extend their business beyond the dividend allowed by law. But, in my apprehension, the most effectual cure for the evils of which we complain, would be the amendment now before you, prohibiting all banks from issuing notes under \$10 immediately, and under \$20 after the year 1842. The amounts proposed are those which have been generally proposed through the democratic press of the State, and they have my hearty approbation so far as they go to remedy the evil; but I must acknowledge that my individual opinions are yet more radical on this subject. I would be willing to prohibit the circulation after a few years, of all bank bills under \$50 or \$100. My reason, sir, is, that as you forbid the circulation of small bills, you increase that of specie in the same ratio. I have an ardent desire to saturate the country with specie, that the farmer, the mechanic, the laborer and the small dealer may transact all business in a solid currency, having the faith of the whole world for its support. If we must and will have paper, I wish to see such a basis for it, as will prevent fluctuation. But it will not do to keep that basis in the banks, for experience has shown that the more specie they have in their vaults, the more they inundate the country with paper. I, therefore, wish to see specie not in the vaults of the banks but in the hands of the productive classes of the community. It is needless to add that specie and bank paper of the same denomination, will not circulate together. This is shown by the "shin plasters" driving the specie change from circulation. Why is it that gold has not circulated?

Is it not because no man will pay \$5 or \$10 in gold, as long as he has a \$5 or a \$10 note to give? But gentlemen say it is the business of the Legislature & not of the Convention, to make these restrictions. The gentleman from the city on my right, (Mr. Biddle) is against any restrictions on the Legislature, & the gentleman from Franklin, (Mr. Chambers) is also disposed to leave the subject to the discretion of the Legislature; and our worthy President (Mr. Sergeant) deprecates mistrusting the representatives of the people. Now, sir, I beg leave to differ from these gentlemen. I disavow all unnecessary reflection on our law makers, but duty compels me to state that our Legislature, if not the most corrupt, are at least the most accessible to importunity of any of the branches of our government. It is well known, sir, that crowds of interested applicants attend at Harrisburg every winter, and that those applicants contrive to procure the passage of laws for selfish and sinister purposes. They are familiarly called "middle-house-men," "lobby-members," or "borers." It is to guard our Legislature from the importunities of such men that I wish to see wholesome restrictions on banking in our Constitution. The gentleman from Franklin has also objected that if our own banks are prohibited from issuing notes under \$20 we will be exposed to notes of other states, and inundated with other bank paper, over which we have no control. This sir, was the argument used against repealing the lottery act granted to the Union Canal Company, that for a long time disgraced the statute book of Pennsylvania, and demoralized her citizens. It was then urged that if we had no lottery of our own, that lottery tickets from other states would be sold as readily as ever, and thus carry out of the state, the money that ought to be retained in it. But the moral sense of the community triumphed. The Union Canal Lottery was repealed. The sale of lottery tick-

ets of other states was forbidden under severe penalties, and we have the satisfaction to know that no lottery office is kept openly in the Commonwealth. Just so will it be with the bank notes of the forbidden denominations. They can by legislative enactments be entirely excluded from circulation. We had similar predictions, sir, when the law was under discussion in 1828 for prohibiting the circulation of the one, two and three dollar bank notes; but that bill became a law, the prohibited notes went out of circulation and Pennsylvania abounded with silver change, while the neighboring states of Ohio, New York, New Jersey and Delaware, were overrun with paper trash. I apprehend no difficulty from the insertion of the prohibition into the Constitution. If the former act filled the state with silver change, the proposed prohibition would also fill it with a gold currency. Here let me notice one or two objections. It is objected by the friends of the present banking system, that there is not specie enough in the country. To this I reply that coin is but a measure of value. A dollar is our unit for measuring value, as a pound is for measuring weight, a gallon for capacity, or a yard for length. With this difference alone; the measures of length, weight and capacity are kept stationary by the dealer, while in the case of the measure of value, the measure itself is handed over as an equivalent. But, sir, the bankers have invented a false and fraudulent measure, as false, as false balances which are severely denounced in Holy Writ. Your paper system may be compared to a yard stick composed of *gum elastic*, which can be expanded or contracted at pleasure. A dealer, sir, with such a measure must be very deficient in tact or shrewdness if he can not keep himself safe, let who will suffer. But, sir, a word or two concerning the scarcity of specie. It is of little consequence whether a day's wages of labor be represented by a dollar, by 75 cents,



or by 50 cents, provided all other things which the laborer may wish to procure be in the same proportion; hence the specie now in the United States will serve as well for measuring value as if it were double or treble the amount; but if it is in less proportion than in the rest of the world, specie will flow to us from other countries, for money like water will find its level. Again, sir, gold and silver are produced just as you produce salt or iron. Increase the demand and you increase the production. When iron falls in price, our furnaces go out of blast. When iron rises, more iron-works are put into operation. When the price of salt is low, those wells on the Kiskisminitas which yield from nine to fourteen barrels of salt in twenty-four hours, can alone be worked, but when salt rises, four or five barrel wells are brought into requisition. Just so will it be with the gold mines in the Southern States. If you increase the demand for gold, mines of less value will be worked, while those mines that now yield a profitable return for the labor required, will be worked much more extensively. I think, sir, that a former Secretary of the Treasury, stated in one of his annual reports to Congress, that it would require about \$11 for each person in the U. States to give a suitable amount of currency. We number at this time perhaps, about 16,000,000. We ought, therefore, now to have about \$176,000,000. I believe it will be conceded that there is now, or at least was last May, when the banks stopped payment about \$80,000,000, in gold and silver, in the country. We have therefore but to double this sum to have nearly the amount required. This can be done, if necessary, in eight or ten years, without embarrassment.

Permit me, Mr. Chairman, to call the attention of the Committee to another evil of our present banking system: an evil that I deprecate, and dread the consequences of, more than any that has yet been mentioned. and that is, the ten-

dency of banks to interfere with the politics of the country. This is a deplorable evil. It has within a few years produced a state of political feeling and animosity between the parties, and among neighbors, such as has not been witnessed since the black cockade times of high toned Federalism in '98, excepting the blue light toryism of the last war. The gentleman from the city (Mr. Bidle) has spoken of the warfare of the government against the institutions of the country. The warfare of the government against the institutions, indeed! What institutions? The United States Bank; a creature of its own creating. Sir, the gentleman is in error in calling it a war of the government. It was, sir, a desperate and reckless war of that overgrown corrupt institution for a prolongation of its existence and exclusive privileges. Instead of quietly submitting to the laws of the country and suffering the charter to expire according to the wish of the majority, the managers of that bank convulsed the country from the centre to the circumference, by a system of expansions and contractions, panics and pressures, and poisoning public opinion through the medium of their hired orators and stipendiary presses. But, sir, the efforts of the people through their executive, to conquer this monied leviathan has been modestly called by our president (Mr. Sergeant) "executive usurpation begun in 1833;" and he has also told us that "that there are now 400,000,000 capital and 800,000,000 debts and credits belonging to the banks of the United States, of which the government wishes to deprive them." What an awful government we must have! Worse than the grand Turk, or the autocrat of Russia! Who would believe it! That our rulers elected by the people should seriously wish to destroy all the monied institutions in the country? I certainly should not, had I not been told so by our honorable president; nor can I yet believe it, notwithstanding the authority. It is not so.



President Jackson, like those who elected him, only wishes to stay the encroachments of the money power and to more effectually secure the liberties of the productive classes; and Mr Van Buren wishes to separate the government from the banks, and to suffer the banks and bankers to manage their own affairs in their own way without giving them the taxes raised from the people, as a fund to speculate on. But our president (Mr Sergeant) consoles himself with the opinion that the high handed measures which have been enacted by this tyrannical government of ours, and those which it proposes yet to enact against the interests of the people, will be put a stop to. He tells us that "every where the voice of the people is heard against their despoilers." I know, sir, that the friends of the bank have had a recent triumph in the state of New York; but how, let me ask, has that been effected? Was it not that the speculators operating through their democratic Legislature, succeeded from time to time in inundating the state with banks combined on the safety fund system; and that these banks true to their principles, united with the aristocracy against the government of their country, when it was proposed to withdraw the people's funds on which they speculated. Sir, the bankers seem now to be in ecstasies with the result of that election, and however paradoxical it may appear, I also am pleased with the result. I am pleased because it will teach the democrats of New York and of the Union, how dangerous is a multiplication of banks, and how little trust is to be placed in bankers. I have known several instances in this state, where democrats were induced to procure an act of incorporation for a bank and the institution afterwards fell into the hands and under the control of their opponents. I have always rejoiced when they got rapped across the knuckles for having any thing to do with these shaving shops. In the present condition of society it appears to be generally conceded

that banks are necessary. I am not so Utopian as to imagine that we ought to destroy all banks immediately, or that the evil can be cured in a short period. Banking is like a cancer. It has struck its roots into the vitals of society & seems incapable of immediate cure without endangering the body politic. I therefore only hope for some present amelioration from the worst evils, and a gradual cure of the disease as time and opportunity may offer. The present amendment which proposes the ultimate restriction of any issue below \$20 will go far to remedy some of the worst evils. It will leave bank notes of the large denominations for the use of merchants and traders, and will provide a sound specie basis for the wages of labor. But, sir, if we have no other remedy, I am half inclined to believe that we must adopt the method resorted to in new countries to stay a conflagration in the forest, that is, to combat fire with fire. I mean by making banking a free commercial business, open alike to all who may embark in it and comply with the requirements imposed by law. Such a system with severe penalties and restrictions may after all, be found most beneficial, but in such cases pecuniary penalties ought to be imposed on stockholders, and the managers of such institutions ought to answer criminally for violating the restrictions imposed by law. I believe that this system is not new. It is practised now in Europe with advantage to the community. It would have at least one good tendency, to make banking purely commercial and to separate it from politics. The present system of chartered companies lead those who wish to get a new charter, or an old charter renewed, to take an active part in the politics of the district, in order to secure representation agreeable to their designs. But if men embark into banking, as into other pursuits, under a general law, there would be no inducement for bankers to make common cause, to elevate one party and

prostrate another. I will detain the committee with but one other reason for wishing to see the present amendment carried, and that is, the benefit in a national point of view to have the country full of the precious metals. What, let me ask, would be the consequence if a war should occur with a powerful nation of Europe and we had but \$20,000,000, as was the case a few years since. But if by prohibiting small bills, \$200,000,000 should be in circulation, we could sustain a war for several years, and in a pecuniary view scarcely perceive the effects. One case may be compared to a man who is compelled to go to market to obtain provision for the day; the other to a farmer with well filled barns and granaries, sufficient to sustain himself and neighbors throughout the year. Let it not be objected that Pennsylvania cannot accomplish this. It is sufficient

for us to do our duty and the benefit will be so apparent that others will follow the example. When that takes place we shall hear no more of fluctuations, and panics, and pressures. England is frequently convulsed by these revulsions in commerce, owing to her paper system; while we hear but little of them in France which is, and always has been, a hard money nation.

I have, sir, detained the Committee longer than I expected when I rose to address you. While I hope that some of the Antimasons may rise superior to party and vote for this amendment, I must say I do not believe they will: such is the difference between faith and hope. The evidences that I have seen of their attachment to the banks, compel me to fear that they will vote against all restrictions.

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